

HOOPER WATER IMPROVEMENT DISTRICT

Financial Statements and Supplementary Data
December 31, 2006 and 2005

(With Auditors' Report Thereon)

HOOPER WATER IMPROVEMENT DISTRICT

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Independent Auditors' Report

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the accompanying statement of net assets of Hooper Water Improvement District as of December 31, 2006 and 2005, and the related statement of revenue, expenses and changes in net assets and statement of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hooper Water Improvement District at December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane Christensen & Ambrose

May 15, 2007

HOOPER WATER IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2006

As management of the Hooper Water Improvement District, we offer readers of the Hooper Water Improvement District's financial statement this narrative overview for the year ending December 31, 2006. As management, we encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

The Statement of Net Assets provides information regarding all assets of the District, such as cash, accounts receivable, prepaid items, and capital assets well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net assets.

The Statement of Revenue, Expenses and Changes in Net Assets shows all revenue received during the year broken down by charges for service, impact fees, property taxes, interest and other miscellaneous revenue. The expenses are summarized by salaries and benefit expenses, maintenances supplies and materials, utilities, general insurance, engineering and professional fees, interest and depreciation. This statement also shows the net assets at the beginning of the year and at the end of the year.

The Statement of Cash Flows summarizes the flow of cash from operating activities, investment activities as well as capital and related financing activities and provides a reconciliation of operating income to the net cash provided by the operating activities.

Notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

Other Information includes an independent auditors' legal compliance report and the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.

Condensed Financial Information

Statement of Net Assets

Total net assets were \$7,827,291 at December 31, 2006. Capital assets at December 31, 2006 were \$5,447,724 net of depreciation. Total liabilities are \$1,248,283.

Condensed Statement of Net Assets

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets	\$3,376,700	\$2,334,170
Other assets – water stock	251,150	
Capital assets	<u>5,447,724</u>	<u>5,408,487</u>
Total assets	\$9,075,574	\$7,742,657
<u>Liabilities</u>		
Current liabilities	\$ 117,585	137,697
Long-term liabilities	<u>1,130,698</u>	<u>1,192,701</u>
Total liabilities	\$1,248,283	1,330,398
<u>Net Assets</u>		
Investment in capital assets –net of related debt	\$4,255,025	4,154,282
Temporarily restricted for emergency repairs	17,945	17,945
Unrestricted	<u>3,554,321</u>	<u>2,240,032</u>
Total net assets	\$7,827,291	\$6,412,259

Statement of Revenues

Total revenues increased by \$672,756 or 35.79% from 2005.

Condensed Statement of Revenues

<u>Revenue</u>	<u>2006</u>	<u>2005</u>	<u>Net Change 2006-2005</u>
Charges for service	\$ 870,148	\$ 783,715	\$ 86,433
Impact fees	1,044,580	809,039	235,541
Property taxes	234,072	200,590	33,482
Interest	133,015	66,088	66,927
Water Stock Contributions	251,150		251,150
Miscellaneous	<u>19,766</u>	<u>20,543</u>	<u>(777)</u>
Total	\$2,552,731	\$1,879,975	\$ 672,756

Statement of Expenses

Total expenses for 2006 were \$ 1,137,699.

Condensed Statement of Expenses

<u>Expenses</u>	<u>2006</u>	<u>2005</u>
Salaries and employee benefits	\$ 404,330	\$ 329,152
General operation and maintenance	342,611	274,447
Depreciation	224,742	183,135
General insurance	20,824	16,658
Engineering and professional fees	95,636	63,523
Interest	<u>49,556</u>	<u>55,021</u>
Total expenses	\$ 1,137,699	\$ 921,936

Statement of Changes in Net Assets**Condensed statement of changes in net assets**

	<u>2006</u>	<u>2005</u>
Revenues	\$2,552,731	\$1,879,975
Expenses	<u>1,137,699</u>	<u>921,936</u>
Change in net assets	\$1,415,032	\$ 958,039
Net assets –beginning of year	<u>6,412,259</u>	<u>5,454,220</u>
Net assets – end of year	<u>\$7,827,291</u>	<u>\$6,412,259</u>

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Manager at 5555 West 5500 South in Hooper, Utah 84315.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Net Assets

December 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash (note 2)	\$ 3,279,272	2,252,184
Accounts receivable (note 3)	89,669	74,174
Prepaid items	<u>7,759</u>	<u>7,812</u>
Total current assets	3,376,700	2,334,170
Other assets - water stock (note 8)	251,150	-
Capital assets less accumulated depreciation of \$2,719,359 in 2006 and \$2,635,311 in 2005 (notes 1 and 4)	<u>5,447,724</u>	<u>5,408,487</u>
Total assets	<u>9,075,574</u>	<u>7,742,657</u>
<u>Liabilities</u>		
Current liabilities:		
Long-term liabilities - current portion (note 5)	62,001	61,504
Accounts payable	<u>55,584</u>	<u>76,193</u>
Total current liabilities	117,585	137,697
Long-term liabilities less current portion (note 5)	<u>1,130,698</u>	<u>1,192,701</u>
Total liabilities	<u>1,248,283</u>	<u>1,330,398</u>
<u>Net Assets</u>		
Investment in capital assets - net of related debt	4,255,025	4,154,282
Temporarily restricted for emergency repairs	17,945	17,945
Unrestricted	<u>3,554,321</u>	<u>2,240,032</u>
Total net assets	<u>\$ 7,827,291</u>	<u>6,412,259</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Revenue, Expenses and Changes in Net Assets

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Income from operations:		
Charges for services	\$ 870,148	783,715
Impact fees	1,044,580	809,039
Property taxes	234,072	200,590
Water stock contributions (note 8)	251,150	-
Miscellaneous	19,766	20,543
Total income from operations	<u>2,419,716</u>	<u>1,813,887</u>
Expenses:		
Salaries and wages	300,612	251,222
Payroll taxes and employee benefits	103,718	77,930
Supplies and materials	82,196	41,338
Depreciation	224,742	183,135
Utilities	73,594	79,653
General insurance	20,824	16,658
Engineering and professional fees	95,636	63,523
Other general	103,648	84,803
Repairs and maintenance	83,173	68,653
Total expenses	<u>1,088,143</u>	<u>866,915</u>
Net income from operations	<u>1,331,573</u>	<u>946,972</u>
Non-operating income and expenses:		
Interest income	133,015	66,088
Interest expense	(49,556)	(55,021)
Net non-operating income and expenses	<u>83,459</u>	<u>11,067</u>
Change in net assets	1,415,032	958,039
Net assets - beginning of year	<u>6,412,259</u>	<u>5,454,220</u>
Net assets - end of year	<u>\$ 7,827,291</u>	<u>6,412,259</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Statement of Cash Flows

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,153,071	1,815,483
Payments to suppliers	(479,627)	(346,120)
Payments to employees	<u>(404,330)</u>	<u>(329,152)</u>
Net cash provided by operating activities	<u>1,269,114</u>	<u>1,140,211</u>
Cash flows from investing activities:		
Interest received	<u>133,015</u>	<u>66,088</u>
Net cash provided by investing activities	<u>133,015</u>	<u>66,088</u>
Cash flows from capital and related financing activities:		
Interest paid	(49,556)	(55,021)
Purchase of capital assets	(263,979)	(557,583)
Principal paid on long-term debt	<u>(61,506)</u>	<u>(61,033)</u>
Net cash used by capital and related financial activities	<u>(375,041)</u>	<u>(673,637)</u>
Net increase in cash	1,027,088	532,662
Cash - beginning of year	<u>2,252,184</u>	<u>1,719,522</u>
Cash - end of year	<u>\$ 3,279,272</u>	<u>2,252,184</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 1,331,573	946,972
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	224,742	183,135
(Increase) decrease in accounts receivable	(15,495)	1,596
Decrease in prepaids	53	326
Increase (decrease) in accounts payable	(20,609)	8,182
Water stock contributions	<u>(251,150)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,269,114</u>	<u>1,140,211</u>

See independent auditors' report and notes to financial statements.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The District was organized to provide culinary water within its designated area.

B. Financial Reporting Model

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes to these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net assets.
3. The statement of cash flows is presented on the direct method.

C. Accounting Method

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements issued prior to December 1, 1989 are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Application for this criterion involves considering whether the activity benefits the government, and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

E. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

F. Capital Assets

Depreciation is recorded on capital assets using the straight-line method over their estimated useful lives as follows: Buildings and improvements 5 to 31.5 years, water distribution system 5 to 50 years, machinery and equipment 5 to 10 years, and furniture and fixtures 3 to 8 years.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2006 and 2005

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2006 were \$67,487, all of which was insured.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at December 31, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>3,294,653</u>	69 days*	not rated

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2006 and 2005

(2) Deposits and Investments - Continued

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

Accounts receivable consist of user fees and property taxes collected by the Weber and Davis County Treasurers during the year and remitted subsequent to December 31. The respective amounts are:

	<u>2006</u>	<u>2005</u>
District Water Users	\$ 67,946	58,810
Weber County Treasurer	12,018	8,281
Davis County Treasurer	<u>9,705</u>	<u>7,083</u>
Total	<u>\$ 89,669</u>	<u>74,174</u>

(4) Changes in Capital Assets

	<u>Balance</u> <u>January 1</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u> <u>2006</u>
Land	\$ 147,141	-	-	147,141
Building and improvements	466,337	-	17,535	448,802
Water distribution system	7,042,134	164,563	-	7,206,697
Machinery and equipment	310,886	57,853	95,530	273,209
Furniture and fixtures	77,300	6,563	27,629	56,234
Construction in progress	-	<u>35,000</u>	-	<u>35,000</u>
Total	<u>\$ 8,043,798</u>	<u>263,979</u>	<u>140,694</u>	<u>8,167,083</u>

(5) Long-Term Liabilities

Long-term liabilities consist of the following:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>2006</u>	<u>2005</u>
Series 1991A - Water Revenue Bonds	0%	01-01-2011	\$ 172,000	215,000
Series 1998A - Parity Water Revenue Bonds	2.820%	01-01-2020	142,000	151,000
Series 1998 B - United States Department of Agriculture loan	5.125%	12-01-2017	<u>878,699</u>	<u>888,205</u>
Total			1,192,699	1,254,205
Less current portion			<u>62,001</u>	<u>61,504</u>
Total long-term liabilities less current portion			<u>\$ 1,130,698</u>	<u>1,192,701</u>

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2006 and 2005

(5) Long-Term Liabilities - Continued

Minimum annual payments on long-term liabilities are as follows:

2007	\$ 62,001
2008	62,528
2009	63,080
2010	63,662
2011	21,274
2012-2016	107,733
2017-2021	137,633
2022-2026	135,622
2027-2031	154,478
2032-2036	199,486
2037-2041	<u>185,202</u>
	<u>\$ 1,192,699</u>

Changes in long-term liabilities:

	Balance January 1 2006	Additions	Payments	Balance December 31 2006
Water Revenue Bond	\$ 215,000	-	43,000	172,000
Parity Water Revenue Bond	151,000	-	9,000	142,000
United States Department of Agriculture loan	<u>888,205</u>	-	<u>9,506</u>	<u>878,699</u>
Total	<u>\$ 1,254,205</u>	<u>-</u>	<u>61,506</u>	<u>1,192,699</u>

(6) Retirement Plans

Plan Description

Hooper Water Improvement District contributes to the Local Governmental Non-Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-Contributory Retirement System the District was required to contribute 11.09% of its covered salary for the six months ended June 30, 2006 and 11.59% for the six months ended December 31, 2006. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Non-Contributory Retirement System for December 31, 2006, 2005 and 2004 were \$33,702, \$26,968 and \$22,263 respectively, and 401(K) contributions for December 31, 2006, 2005 and 2004 were \$5,470, \$2,914 and \$2,123 respectively. The contributions were equal to the required contributions for each year.

HOOPER WATER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2006 and 2005

(7) Risk Management

Hooper Water Improvement District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At December 31, 2006, there were no outstanding claims or judgements against the District. Settlements did not exceed insurance coverage for each of the past three years.

(8) Water Stock

During 2006 various land developers contributed water stock to the District valued at \$251,150.

Independent Auditors' Legal Compliance Report

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the financial statements of Hooper Water Improvement District for the year ended December 31, 2006, and have issued our report thereon dated May 15, 2007. As part of our audit, we have audited Hooper Water Improvement District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
Special Districts General Compliance
Impact Fees and Other Development Fees

The District received no financial assistance from the State. The management of Hooper Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion Hooper Water Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Crane Christensen & Ambrose

May 15, 2007

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Board of Directors
Hooper Water Improvement District
Hooper, Utah

We have audited the financial statements of Hooper Water Improvement District as of and for the year ended December 31, 2006, and have issued our report thereon dated May 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hooper Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hooper Water Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and State agencies. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

May 15, 2007